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SUBJECT: CODEL PELOSI'S MEETING WITH PM OLMERT

Classified By: Ambassador Richard H. Jones for reasons 1.4. (b) and (d)

11. (C) Summary: Prime Minister Olmert told CODEL Pelosi April 1 that he would continue to meet with Palestinian President Mahmoud Abbas despite Abbas' failure to deliver on his commitments. Olmert was adamant that his talks with Abbas not include the final status issues of refugees, Jerusalem and borders. Instead, they would focus on a political horizon for the Palestinians. Olmert also stressed the need for clear benchmarks if the USG decided to transfer money to Abbas or USSC Dayton. On Syria, Olmert questioned the sincerity of Asad's desire for peace talks with Israel and was skeptical that Asad was prepared to stop support for terrorism. Olmert said if Asad were serious about talks, he would be willing, but all indications showed that Asad was not serious. Olmert emphasized the importance of confronting Iran via sanctions and diplomacy, but did not advocate taking the military option off the table. He said Russian rumors that the U.S. planned to attack Iran this summer could cause a miscalculation that would lead to conflict in the region. He told the CODEL that Israel had no intention of attacking its immediate neighbors, though Israel would respond if attacked. End summary.

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Palestinian Track  
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12. (C) Olmert said that he would continue regular contacts with Abbas despite Abbas' failure to honor commitments on releasing Gilad Shalit and halting Qassam rocket attacks and terror. Describing Abbas as the GOI's only link to the Palestinians, Olmert said he was willing to talk with him about a political horizon for the Palestinians but that there was no use engaging on three final status issues: refugees, Jerusalem, and borders. Olmert explained the two sides needed to build up to these issues and argued that if they began with them, the talks would "end in fifteen minutes." Instead, there were many other issues to discuss surrounding the political horizon. Olmert also stressed the need to strengthen moderates and said that if the USG decided to transfer money to Abbas or USSC Dayton it would be important to establish clear benchmarks that would show the money was being well-used. Reiterating that the GOI would not deal with the NUG, Olmert informed CODEL Pelosi that Prime Minister Ismail Haniyeh had transferred \$1 million for the purpose of conducting terrorist operations a few days before the National Unity Government was formed.

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Syria  
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13. (C) Olmert described Syria as being in the middle of trouble spots all over the region. Acknowledging that Bashar Asad spoke of peace, Olmert questioned whether he really wanted talks with Israel. If so, Israel would be prepared to talk, but so far all contacts with Asad by Members of Congress, the German Foreign Minister and others had been discouraging. In all these conversations, Asad had been inflexible, which Olmert understood as a sign that he was not serious. Olmert stressed that a process that broke down right away would do more harm than good and said he knew that Asad's bottom line in any talks would be the return of the Golan Heights. Clearly skeptical, Olmert asked what Syria was prepared to do for Israel - stop support for terrorism in Lebanon, the Palestinian territories and Iraq?

14. (C) Speaker Pelosi (D-CA) said she too was concerned by Syria, including its role in Lebanon, support for Hamas, and relations with Iran. Pelosi told Olmert the CODEL was traveling to Syria with no illusions, but that progress shuts down without contact. In response to a question from Congressman Hobson (R-OH), Olmert said it would be useful if the Saudis could help with Syria behind the scenes, but he doubted they could. Olmert cited Saudi Arabia's extreme displeasure with Syria after last summer, referring to Asad's "half-men" speech of August 15, 2006. Congressman Lantos (D-CA) said he would tell Asad this was his last chance to disengage from Iran. In response to questions and comments from Lantos, Olmert replied: "There are rumors spread by the Russians that the U.S. will attack Iran in early summer and that we will hit Lebanon and Syria at the same time. Therefore, the Syrians are taking steps to prepare, which we have to match, and then they see our preparations. I am concerned in such a situation that a miscalculation could lead to conflict. Please tell them that we have no intention of attacking. We are still not sure of their intent. And also, if they are really serious, we will respond."

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Arab League Summit  
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15. (C) Olmert said there was no practical progress as a result of the Arab League Summit in Riyadh March 28-29. According to Olmert, the summit did not produce any inspiring results regarding the Arab Initiative. Nevertheless, Olmert preferred to emphasize the positive, highlighting the fact that Arab states had met in Saudi Arabia to discuss peace.

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Iran  
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16. (C) Olmert described as "necessary" the appearance of a U.S. strategy and determination to confront Ahmadinejad and Iran via sanctions and diplomacy. The more successful these methods were, the lower the probability of military action. Olmert told the CODEL that Iran is not an Israeli problem; it affects U.S. interests and those of friendly states in the region. Olmert added that he sees Iran as a source of common ground with moderate Arab states. Speaker Pelosi agreed that Iran is the world's problem but replied that the U.S. could not do everything it would like to as long as the situation in Iraq remained unresolved. In response to a question from Congressman Waxman (D-CA) about potential legislation prohibiting the use of force against Iran, Olmert said he did not favor military action but that Iran would act even more arrogantly if the military option were taken off the table. Olmert maintained it was necessary to keep the pressure on the Iranians with sanctions, which could be expanded to prevent travel of senior officials. This would encourage opposition forces in Iran, he argued. Olmert also said that all moderate states in the region, especially the Gulf states, felt threatened by Iran.

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Iraq  
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¶7. (C) Congressman Lantos expressed his disagreement with President Bush's Iraq policy, arguing that the U.S. needs to restore its credibility with the international community and that this is important for Israel's security. In response, Olmert told Lantos he would never claim to know what was best for the United States. However, the removal of Saddam Hussein had been important for moderate states in the region, as they would not want to deal with Hussein and Ahmadinejad at the same time. Although no weapons of mass destruction had been found in Iraq, Olmert said Saddam Hussein had possessed them.

¶8. (U) CODEL Pelosi cleared this message on April 27.

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